



Petroleum Market Report

November 6, 2000

Energy Information Administration
Office of Oil & Gas

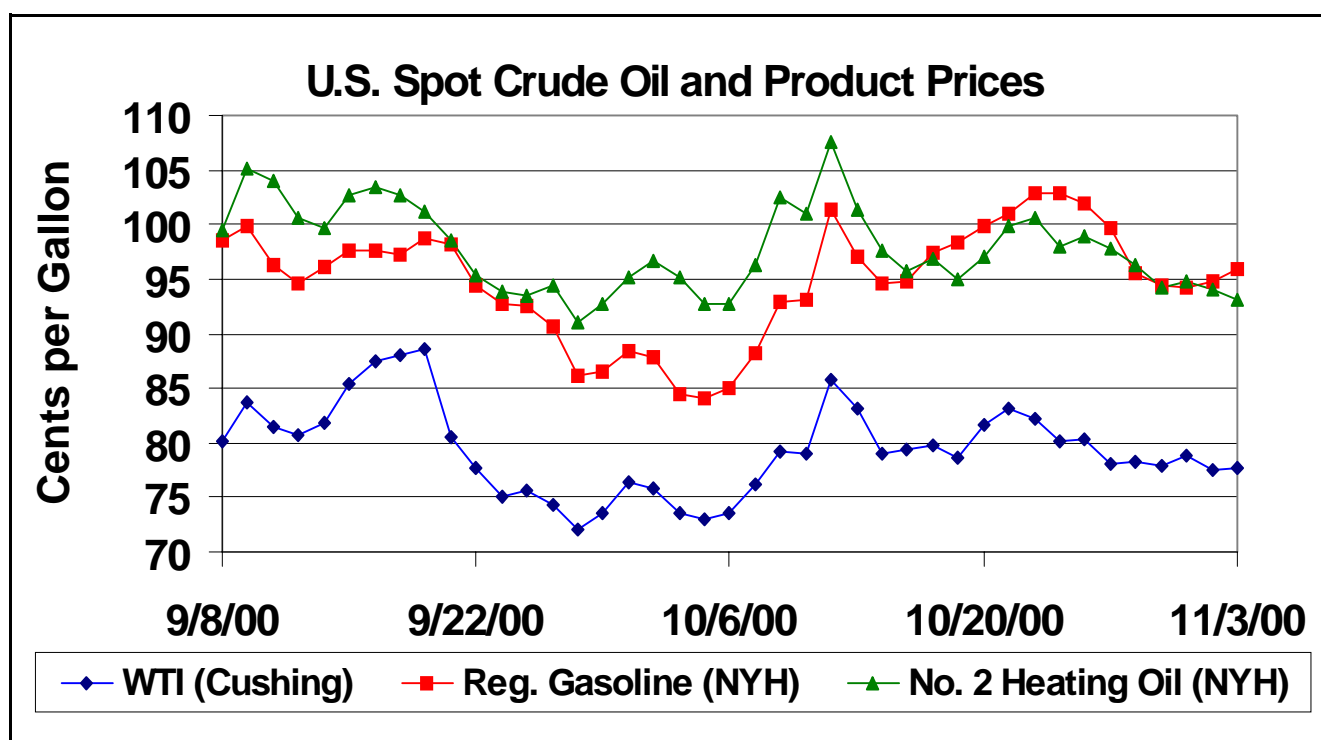
MARKET SUMMARY

U.S. crude oil and petroleum product prices moved generally lower last week, mostly attributed to an increase in OPEC's production quotas due to the "price-band" mechanism. Product prices were more active than those for crude oil, reacting to inventory changes, refinery operations, and expiration on Tuesday of the November NYMEX product futures contracts. Other influences during the week included a new Israeli-Palestinian cease-fire, cold weather in the Northeast, a crude oil pipeline shutdown, and U.N. discussions with Iraq over payment in euros and additional oil shipments to Syria.

Crude oil - prices displayed relatively modest movements all week, compared with the greater volatility seen in recent months. Markets had already incorporated the decline associated with the OPEC production increase during the previous week, and new influences appeared to be largely offsetting. Issues involving Iraq continued to interest traders, including U.N. approval of oil-for-food payments in euros, and a new proposal to export crude oil to Syria by pipeline outside U.N. sanctions. The Capline crude oil pipeline from the Gulf Coast to the Midwest was shut down temporarily on Monday, but restarted Wednesday.

Gasoline - markets posted the sharpest price declines early in the week, but actually turned upward by Friday. Expiration of the November NYMEX futures contract on Tuesday was a factor in the decline, while a larger-than-expected stockdraw aided price firming later in the week. Restarting of an Illinois refinery pulled prices lower in the Midwest, while problems at another pushed West Coast prices higher.

Distillate - prices moved steadily downward for most of the week, despite colder weather in the Northeast, apparently reflecting sentiment that the winter supply outlook was gradually improving. A moderate stockbuild for the week ending October 27 placed inventories 26 million barrels (19 percent) below last year's level.



CHRONOLOGY OF RECENT MARKET EVENTS

- 11/3 - mixed** - crude oil and gasoline prices posted mostly moderate increases, while distillates declined. Traders cited pre-weekend shortcovering, continued Middle East violence, and skepticism about OPEC's ability to meet increased production quotas as causes for crude price strength.
- 11/2 - mixed** - crude oil and most product prices fell, largely attributed to a new truce between the Israelis and Palestinians, along with restarting of the Capline crude pipeline. Problems at a California refinery were partially offset by reports that another in Illinois is ready to restart.
- 11/1 - mixed** - most prices moved higher, lifted by an unexpected crude oil stockdraw, and a larger decline in gasoline inventories. Reports that Iraq wishes to sell crude oil to Syria by pipeline, outside the U.N. oil-for-food program, were treated cautiously by traders.
- 10/31 - falling** - all prices declined, ahead of the API and EIA supply reports, along with expiration of November NYMEX product futures contracts at the close of trading. U.N. approval of payments to Iraq in euros, announced late Monday, was also seen as a factor.
- 10/30 - mixed** - crude oil prices rose slightly, while products dropped, amid a mix of domestic and global influences. OPEC confirmed its intention to increase output by 500,000 barrels per day, as the U.N. sanctions committee debated Iraq's demand for payment in euros. In the U.S., the Capline crude pipeline was shut down temporarily, while a cold snap hit the Northeast.
- 10/27 - rising** - prices fell across the board, largely attributed to reports that OPEC will raise production by 500,000 barrels per day on Monday, in accordance with its "price band" mechanism. A announced 48-hour shutdown of the Capline crude oil pipeline starting Monday had modest impact.
- 10/26 - mixed** - most prices were higher, with only spot gasoline declining on reports of incoming cargoes over the next few weeks. Amid growing concerns that Iraq may halt exports if its demand to be paid in euros is not met, Saudi Arabia and others have promised to make up any shortfall, though some analysts find this incompatible with the "price band" production increase also promised.
- 10/25 - mixed** - crude oil and distillate prices dropped, while gasoline finished nearly unchanged, in the wake of the weekly API and EIA supply reports. Prospects of more crude oil supply in the near future from the SPR swap and an expected OPEC output increase weighed on markets.
- 10/24 - mixed** - crude and NYMEX heating oil prices turned downward, while gasoline and spot distillates remained strong, largely reflecting expectations for stock changes in the weekly supply reports. Continuing concerns about events in the Middle East were partially offset by growing expectations that OPEC will increase oil production soon under its "price band" mechanism.
- 10/23 - rising** - all prices continued upward, led by distillates, with upward pressure attributed to renewed problems in the Middle East. Violence between Israelis and Palestinians re-erupted over the weekend, ending a fragile cease-fire, while Iraqi forces reportedly traded fire with aircraft patrolling the northern "no-fly" zone, adding to concerns that Iraq might interrupt its oil exports.